

# The Conference Board MANAGEMENT RECORD

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## Maintaining Morale in an Expanding Working Force

By H. L. R. EMMET

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I HAVE BEEN asked to discuss the problem of absorbing large numbers of new workers into an industrial organization, imbuing them with its spirit and making them, as quickly as possible, enthusiastic coworkers in the enterprise.

In our General Electric plant at Erie, Pa., we are now faced with just such a task. Since it involves our National Defense Program, it must be done quickly and done very well.

We have undertaken to do this work for the Navy, and it involves an increase of about 70% in our employment during the next eight or nine months. A very large proportion of the added employees will, necessarily, be men who have never before worked in a factory. When all are engaged, it will mean a total employment in our Erie shop of about 10,000 men.

Our Navy Program consists of 30,000 h.p. propulsion turbines, as well as gun mounts and projectile hoists for 5"/38 caliber guns. All of this apparatus calls for the most precise kind of mechanical workmanship and must be gotten into production in quantity in a relatively short space of time.

Neither the turbines nor the gun mounts and hoists are part of our regular Erie Works production. Each will be made by newly created organizations and each in separate and self-contained areas of our factory.

Whereas our regular lines, which include foundry operations, refrigerators, electric and Diesel electric locomotives, railway and industrial motors, and railway control apparatus, will require about 6,500 employees, these new products for the Navy will require about 3,500 employees.

To the manufacture of new products we must assign about one-third of our existing supervisory force and about 10% of our existing skilled operatives. It would, of course, be most helpful if we could assign a very much greater percentage of present supervisors and operatives to this new work. However, in our judgment, the complexity as well as the importance of our regular lines of manufacture make it undesirable.

As a result, nearly 3,000 new employees must be assimilated on these new lines and about 500 on our regular lines.

While the assimilation of 500 new people into a group of 6,500 regular employees is not a very formidable task, the assimilation of 3,000 new people with a leavening of only about 500 of our best regular people in these two new and, necessarily, self-contained departments is a more formidable undertaking.

I have, so far, tried to briefly state our problem as a whole.

Now for the particular part of it that has to do with the imbuing of all these new people with the spirit of our organization and making them, as quickly as possible, enthusiastic coworkers in our enterprise.

First of all, I believe it can safely be stated that our existing employees truly are reasonably enthusiastic coworkers. Were they not, the chances of these new ones being so, would be slim indeed.

Granted that such is the state of mind of our present people, it is perhaps reasonable to assume that the same method which has induced an interested response from them will have the same happy result in the case of the new men. At all events, that is our assumption, always remembering that, whereas we have had years at our disposal with our old men, we now have not many months in which to inaugurate and make this educational process effective with the new men; and an educational process is, necessarily, our only recourse.

So, I will attempt to outline briefly what our method has been in this connection for many years and then explain in some detail what we call our Informative Meeting Procedure. We will rely on this procedure on a somewhat speeded-up basis to provide the requisite education for these new employees.

Some years ago we convinced ourselves that management had been accustomed to deal with the hopes and demands of its people too much on a basis of expediency—too little on a basis of principle; that we had spent so much of our time, energy and thought in striving to accomplish new and better designs, improving manufacturing technique, etc., that we had failed to consider adequately what simple principle should be followed in dealing with this most important consideration—the feelings as well as the just and proper expectations of our employees.

Having in mind that the *modus operandi* of our body politic is based on recognition and protection of the rights of the individual and that, after all, such is really the democratic process to which all of us are habituated, it seemed that a proper principle upon which management should conduct itself was that of “justice to each individual employee.” We concluded that we must adopt measures through which each employee would be treated as an individual of importance—not merely as a hired labor unit.

Since our working quarters and equipment are uniformly safe and adequate, we assumed that our men were most interested in three things: First—Job Security; Second—Good Wages; Third—Opportunity for Advancement. We also assumed that, if we did a good job in seeing that, in so far as it was possible, these three things were provided, we then could feel hopeful that we were on the road to proving ourselves worthy of the confidence of our employees in that we certainly would be treating each with justice in these three basically important matters.

We therefore proceeded to complete an exact technique for determining the proper evaluation of all jobs in our factory on the scale between the simplest and the most highly skilled. We developed another technique for determining the correct market price for all grades of craftsmanship in each of our factory communities, based primarily on detailed and accurate surveys of the going rates for like jobs in those communities.

In general, these two developments provided a very distinct improvement on the manner in which we had previously dealt with the question of wage rate determination.

We have attempted to cover the questions of job security and opportunity for advancement through the development of an employee ability rating technique by which we can, with reasonable exactitude, determine the individuals who first deserve an opportunity for advancement as well as those who first should be laid off or rehired strictly in accordance with their individual seniority, ability, etc.

We do not believe it possible to deal justly with each employee in the absence of some such practices as those just mentioned.

We realized that, in the past, we had perhaps been too prone to leave these three vital matters in the hands of our foremen. We know that these men alone, able and honest though they may be, cannot possibly, in addition to their many other duties, carry out such assignments with the exactitude their importance merits. Therefore, the development of the techniques, particularly in a large factory such as ours, appears to be purely a job for specialists. Even after this development work has been done, the foremen will find difficulty enough in making proper application, even with the constant aid of the specialists whom we know as planners, time study men, personnel men, etc.

Perhaps the simplest of these tasks is to survey existing community wage rates at least three times each year. A good man can be relied upon to obtain the necessary data after the first few surveys.

When it came to developing a job evaluation technique with all the charts and formulae incident thereto, or the development of an individual ability rating procedure with its varying conceptions of standards, we found that we faced a job extending over several years.

We also found that the proper introduction of these procedures involved more than their mere development and application, since that was probably the simplest part of the process. They must be well understood not only by the supervisory force, but also by the men themselves. If either of these groups fails to understand and have faith in them, the whole endeavor becomes of questionable value, particularly since considerable expense is involved.

We have learned to constantly explain and discuss, and demonstrate and explain again. It seems to be a

necessity to explain and re-explain these quite complicated procedures so that they become thoroughly intelligible to the many employees affected by them.

Briefly, such is the basic method that we have used and will continue to use with both old and new employees, so that they may have a clear understanding of how we intend to deal justly with each one of them and so that they may have faith in our ability to accomplish such a result. If management succeeds in that, it need have little concern about its people, old or new, being imbued with the spirit of the organization and becoming enthusiastic coworkers in the enterprise.

This brings us to our Informative Meeting Procedure, which has been a basic part of our Employee Relations Program for a number of years. Each year this procedure has assumed more importance in that program because of its very evident effectiveness in bringing to employees an understanding of, and confidence in, our aims and methods of management.

These meetings were first inaugurated in our works at Erie in 1937. They were the outcome of a very evident need for a method whereby each employee might meet with management in small group meetings, ask questions, take part in discussions and receive information first hand, and in the absence of his immediate supervisors.

Although large group meetings permit more employees to meet more frequently with management, we have found that small group meetings provide a much better opportunity for free discussion and questioning, resulting in a far better understanding. Attendance at each of our meetings is therefore limited to approximately 25 employees—preferably 12 or 15.

These literally are round table discussions, it never being necessary for an individual to get out of his chair when speaking.

In each of the eight divisions of the Erie Works one of these meetings is regularly scheduled each month by the ranking supervisor of that division. This supervisor conducts the meeting himself and is the only individual in an executive position regularly at the meeting. Notices of the meeting are posted well in advance with the names of those invited to attend, so that their associates can ask them to bring up any question upon which information is desired.

One or two employees from each department of the division are invited to attend. The division head maintains a record of those attending to insure that each employee is provided with the opportunity of being at a meeting as often as possible by rotating as follows: Each employee is invited to attend two successive meetings, thus effecting a 50% turnover of those attending each meeting. This plan of rotation has worked out well, because we find that, too often, employees will be a little strange at the first meeting with the individual who is considered the "top" boss; but, at the second meeting,

they will seldom hesitate freely to discuss or question any matter that is on their mind.

Meetings are scheduled for at least 1½ and preferably 2 hours. Our experience indicates that these meetings could well last for many hours because of the sincere interest which always appears to develop during them.

We have found that somewhere between 40% and 45% of our employees classify as what we call "opinion molders." These are the people who display the most active as well as the most vocal interest in shop, company, and community affairs. To a large extent, they appear to guide the thinking in their particular groups and certainly do most of the talking at noon hours, etc. Every foreman can readily identify such individuals in his gang. We consider it particularly important and desirable to have a large percentage of these "opinion molders" in each informative meeting.

In addition to these divisional meetings, there is another informative meeting held each month by the Works Manager himself. These Manager's Informative Meetings are attended by two employees selected from each division. The same rotation procedure is used as in the divisional meetings. Notices of meetings and names of individuals invited to attend are posted on all factory bulletin boards at least a week ahead of time, together with the request that anyone who has a question that he would like answered by the Manager should bring it to the attention of one of the individuals attending from his division so that he may bring it up at the meeting.

Since about one-fifth of our employees are salaried employees, and since the bulk of them are really no different from our hourly employees—in many cases, living under the same roofs, eating at the same table and often earning less money than many hourly employees—the same general procedure of informative meetings is followed in their case.

No attempt is made to record each word that is spoken in these meetings and no stenographer is present. We find that, thereby, reticence is soon eliminated and everyone appears to express opinions and viewpoints freely. The essential information brought up at the meetings is promptly recorded in the form of minutes after each meeting and is distributed to each person who attended. Such minutes of the divisional meetings are posted on the bulletin boards of the respective divisions. Minutes of the Manager's Informative Meetings are not only distributed to each person attending, but are also given wide publicity by being posted on all bulletin boards and published in the current issue of our weekly "Works News." This insures a wide dissemination of information throughout the Works as well as to the families of employees, and encourages a continuation of discussion of the questions actually dealt with in the meetings. We have found that constant informed discussion of important policies and events are highly

desirable. These meetings certainly have either corrected or eliminated many of the fantastic rumors so often current in large factories.

During the past few years, at least 2,000 employees have attended two or more informative meetings each year. Such a number easily includes all the "opinion molders" in the shop.

All informative meetings are scheduled during regular working hours and each individual attending receives the average rate he would have earned had he stayed on his job.

The relations of our employees with their immediate supervisors, such as their foremen, are good. For a number of years we have paid great attention to the instruction and training of our foremen in employee relations, as a separate and most important responsibility. Nevertheless, we feel, as a result of our experience, that the average industrial employee wants and needs the satisfaction of looking directly into the eyes and talking directly to the "top" boss. We also believe that such a contact is better and more satisfactory if the immediate boss or straw boss is not present.

We believe that employees have a right to receive entirely complete information about all details of the business of the company to which they devote their working careers. We believe, and we specifically tell our people, that the age of mystery in such matters has gone by; that it is far better to have entirely open discussion of all facts; that we have nothing to hide and do nothing of which we are ashamed in dealing with our employees or with anybody else. We also explain, in this connection, that even if we were disposed to do something of which we were ashamed, we would not dare do so because of the many restrictions which we believe are properly imposed on us by many federal or state bodies, such as the Federal Trade Commission, National Labor Relations Board, etc.

It is a fact that matters of Company policy are often arrived at very largely as a result of discussions between management and employees.

The only subjects we do not discuss in these meetings are questions that may be in process of collective bargaining between the Company and the representatives of its employees. In our case, this representative is the United Electrical Radio and Machine Workers of America as sole collective bargaining agency, with whom the Company has contractual relations. Since

our bargaining procedure is so systematically set up and works so smoothly, we feel it wise to let that procedure take care of such questions—which it does very adequately. We find that there is plenty of room for both types of discussions and no interference whatever between them.

In so far as the labor union question is concerned, we believe and freely explain at our informative meetings, our opinion that we can do a better job running a big factory with honest interested union organization present than without it; that union representatives can help and are helping very much in seeing that petty tyrannies and favoritisms are kept out of our operation. We explain that, with all the authority we bosses have, it is too easy to grow careless of the individual's rights and feelings and that we need to be checked up. We also acknowledge that a fancied grievance may well have much of the importance of a real one and that, in our opinion, the question as to whether or not an employee should join a union is his own business, not ours; and his judgment in the matter is, therefore, a good deal better than ours.

In these informative meetings we literally do discuss any question. For example, very complete details of rate surveys are explained and discussed. Complete profit results by lines manufactured in the Erie Works are likewise completely revealed and discussed. Questions are not necessarily confined to the Company's operation. Many community and civic matters are discussed.

We constantly repeat to our people the belief that what we all desire more than anything else is for our factory to be an honest, healthy activity—successfully and profitably operated—since we all know that only under such conditions will the careers of each one of us be most benefited.

I have attempted to give you what I fear is a somewhat sketchy outline of a procedure upon which we place the greatest dependence in maintaining a large industrial organization which operates with good morale and on a profitable basis.

In our opinion, it is probably wise for us to use this same procedure on a somewhat speeded-up basis, with more frequent meetings, in dealing with the thousands of new employees who will shortly be with us. As a result of our experience, we feel little worry about a reasonably happy outcome.

## Military Service Policies—Supplementary Analysis

SINCE THE CONFERENCE BOARD published its analysis of company policies in respect to military absences,<sup>1</sup> eighty-three additional company statements have been received. These plans, together with the 128 statements included in the original survey, make a total of 211 policies so far received. Total employment in these concerns is over two million persons.

TABLE A: COMPANIES WITH POLICIES IN REGARD TO MILITARY ABSENCES BY SIZE OF ESTABLISHMENT

Number of Employees	Companies		Employment	
	Number	Per Cent	Number	Per Cent
100 to 249.....	6	2.8	1,011	<i>a</i>
250 to 999.....	32	15.2	19,649	0.9
1,000 to 4,999.....	87	41.3	217,704	10.4
5,000 and over.....	72	34.1	1,876,745	88.7
Employment not given..	14	6.6	....	....
TOTAL.....	211	100.0	2,115,101	100.0

*a*Less than 0.1%

Employers have been confronted with an entirely new situation in formulating policies to provide for the various contingencies arising out of the military training legislation. These policies cover such aspects as the conditions under which the drafted employee may be restored to his former position upon release from military service, retention of seniority rights, participation in various company benefit plans, and extra compensation. The first survey showed that on some points the majority of these company policies were in accord. Of course, workers were promised reemployment, as provided under both military training acts. With but few exceptions, drafted employees were to accumulate seniority during the training period. Group life insurance plans were continued at the employer's expense in a large majority of the concerns included. Policies were most divergent over payment of extra compensation to workers leaving for military service. About a third of the plans provided for compensation, but there was little uniformity in the methods of computing the amount to be given.<sup>2</sup>

An analysis has been made of the eighty-three statements recently received to determine whether any new trends had developed, and whether there was a greater degree of uniformity among these plans than among those included in the original survey.

<sup>1</sup>See *The Conference Board Management Record*, October, 1940.

<sup>2</sup>THE CONFERENCE BOARD, "Company Policies Regarding Military Absences." *The Conference Board Management Record*, October, 1940, page 117.

The most significant development revealed in this supplementary analysis is the decided trend toward the incorporation of extra-compensation provisions in the military-service policy. In the first survey it was found that only 34.5%, or about a third of the plans which were formulated in September, contained these provisions. In marked contrast, nearly two-thirds of the plans formulated in October provided some compensation for employees called for military training. Table B reveals that this trend toward greater liberality is not confined to any particular branch of industry, but is evident in all three main industrial classifications studied, viz., manufacturing, public utilities and financial enterprises.

TABLE B: COMPARISON OF SEPTEMBER AND OCTOBER SURVEYS OF COMPANY POLICIES GOVERNING PAYMENT OF COMPENSATION TO TRAINEES DURING MILITARY ABSENCES

Industrial Classification	Number of Companies	Pay Compensation		Do Not Pay Compensation		Policy Not Yet Determined	
		Number	Per Cent	Number	Per Cent	Number	Per Cent
SEPTEMBER SURVEY							
Manufacturing..	100	30	30.0	66	66.0	4	4.0
Public utilities..	9	3	33.3	5	55.5	1	11.2
Mercantile.....	4	..	..	4	100.0	..	..
Financial.....	15	11	73.4	2	13.3	2	13.3
TOTAL.....	128	44	34.5	77	60.0	7	5.5
OCTOBER SURVEY							
Manufacturing..	62	39	62.9	23	37.1	..	..
Public utilities..	14	8	57.1	6	42.9	..	..
Financial.....	6	6	100.0	..	..	..	..
Hotel operation..	2	..	..	2	100.0	..	..
TOTAL.....	84	53	63.1	31	36.9	..	..
TOTAL NUMBER							
Manufacturing..	162	69	42.5	89	55.0	4	2.5
Public utilities..	23	11	47.8	11	47.8	1	4.4
Mercantile.....	4	..	..	4	100.0	..	..
Financial.....	21	17	81.0	2	9.5	2	9.5
Hotel operation..	2	..	..	2	100.0	..	..
TOTAL.....	212	97	45.8	108	50.9	7	3.3

This trend does not indicate that the concerns which have recently formulated their policies are necessarily more liberal than those which did so earlier. The employers who pioneered in formulating military-service policies had no precedent to follow, and the plans which they developed represented their tentative approach to a new problem. As opinion had time to crystallize, industry has increasingly taken the attitude that some compensation should be given to employees to aid them in making the transition to Army life. Several large con-

cerns which previously did not give extra compensation have reported that they are now re-examining their policies, with a view to incorporating such provisions.

While there are still wide variations in the extra compensation provisions, several outstanding tendencies are revealed in Table C. The largest single group, 23 companies, are giving one month's full pay; next in order of frequency are 14 companies that are giving the difference between the employee's salary or wage and the military pay for three months. Twenty companies are paying some portion of the employee's salary or wage for the entire twelve-month's period, but an examination of these plans shows wide variations in the method of computing the company allowance.

Several of the latest plans received contain provisions for granting the employee some compensation upon his return to work. The Kimberly-Clark Corporation, for example, is giving \$50, while a petroleum refining corporation is giving two weeks' full pay.

Other provisions of the company policies in respect to guarantee of reemployment, seniority and participation in company benefits, are not appreciably different from those included in the first survey.

The increasing prevalence of extra-compensation provisions in the military-service policies brings up the question as to the motives that have prompted companies to assume these potentially heavy expenditures. Of first importance is the recognition of the "great sacrifice that the workers will be called upon to make to insure the continuance of free government and free people in our country." The company's contribution is given them to facilitate the transition from civilian to Army life.

Of equal importance is the desire of the company to contribute to the fullest extent to the National Defense Program, for "No free land can be safe unless it can adequately defend itself." Another motive mentioned by a number of employers is the assurance of some degree of economic stability, by giving trainees the greatest possible protection in the retention of their rights to their jobs and participation in life insurance. By protecting the rights of the few called to the colors, management believes that the morale of the entire working force may be improved because of the sense of security engendered.

Other companies have taken the attitude that there is "No economic justification for the payment of any compensation by employers to supplement the pay received by the conscripted employee for his military service." Also, "Those comparatively few concerns who can afford to take on the liability will make it embarrassing for those many others who have hard enough sledding as it

TABLE C: METHODS OF COMPUTING EXTRA COMPENSATION FOR TRAINEES

Computation of Compensation	Total	Manu- factur- ing	Public Utility	Finan- cial
Full pay, 2 weeks.....	9	8	1	..
Difference, 2 weeks.....	3	2 <sup>a</sup>	1	..
Full pay, 1/2 to 1 month <sup>1</sup> .....	5	4	1	..
Under 1 month's pay, miscellaneous provisions.....	4	4	..	..
Full pay, 1 month.....	23	14	2 <sup>e</sup>	7
Difference, 1 month.....	5	4 <sup>b</sup>	1	..
Under 2 months' pay, miscellaneous provisions.....	6	3	1	2
Full pay, 2 months.....	4	4	..	..
Full pay, 3 months.....	1	..	1	..
Difference, 3 months.....	14	10	2	2 <sup>f</sup>
Full pay, 1 to 6 months <sup>1</sup> .....	1	..	1	..
Difference (married), half difference (single) 6 months.....	1	1	..	..
Difference, 1 year.....	4	4 <sup>c</sup>	..	..
Difference (married); half difference (single) 1 year.....	2	2 <sup>d</sup>	..	..
Half of earnings, 1 year.....	2	2	..	..
Amount equal to base Army pay, 1 year.....	1	1	..	..
Full pay 2 months; 10% of earnings, 10 months.....	1	..	..	1
25% of earnings, 1 year.....	2	..	..	2 <sup>g</sup>
Full pay, 1 week; \$5.00 per month, 11 months.....	1	1	..	..
Full pay, 2 weeks; 10% of earnings, 1 year; full pay, 2 weeks upon return.....	1	1	..	..
10% of earnings, 1 year.....	1	1	..	..
Full pay, 1 month; difference, 11 months.....	1	..	..	1
Full pay, 2 months; 10% of earnings, 10 months.....	1	..	..	1
Varies with marital status and length of service to a maximum difference for 1 year.....	3	3	..	..
TOTAL.....	96	69	11	16

<sup>1</sup>Depends upon length of service

<sup>a</sup>In 1 company, office employees paid full 2 weeks

<sup>b</sup>In 1 company, applies only to National Guard, drafted employees given full pay 2 weeks; in 1 company also given \$50.00 upon return to work

<sup>c</sup>In 1 company, deduct \$3.00 per week for clothing, \$1.00 per week for food; in 1 company given only for National Guard; in 1 company, difference between earnings up to \$3,500 per year and Army pay

<sup>d</sup>In 1 company, given only for National Guard

<sup>e</sup>In 1 company, applies only to National Guard, drafted employees given full pay 2 weeks

<sup>f</sup>In 1 company, 1 month's full pay if under 1 year's service; in 1 company given only if dependents, those without dependents given full pay for 1 month

<sup>g</sup>In 1 company, given difference, but maximum not to exceed 25% of earnings. In this company extra \$9.00 given during first four months when Army base pay \$21.00 per month

is." This last argument, however, might with equal logic be used against the adoption of any company benefit plan. Some companies expressed the idea that "the call to colors is a privilege and duty which every man should respect, and no one should be influenced by a monetary consideration."

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## Reducing Fluctuations in Employment'

REGULARIZATION of employment has become of increasing importance to American industry during recent years. Factors contributing to this movement have been a more scientific approach to the problem of plant management, and a desire to give employees a more stable income. The merit-rating provisions of state unemployment compensation acts have also induced management to reduce employment fluctuations.

Some factors which cause irregularity of employment are within the power of the company to correct by changing management procedure, while others are more difficult to remedy because they lie outside the limits of the plant. The principal causes of employment fluctuations are the seasonal and cyclical swings of business. Not all businesses, however, are affected alike by these movements. Some, for example, like the distribution of gas and electricity and the manufacture of indispensable household articles, such as soap, are essentially stable in character. In contrast, consumers' goods in the luxury class and capital goods equipment are ordinarily purchased on the upswing of the business cycle. Consequently, it is more difficult to stabilize employment in certain types of industries than in others. The nature of the product itself determines the measures that may be used to the best advantage to bring about more regular employment.

THE CONFERENCE BOARD has just completed a study of the measures undertaken by industry to reduce fluctuations in employment. In it the stabilization measures of 203 companies employing over a million workers have been analyzed. The study consists of two parts, the first of which discusses the general aspects of employment stabilization, while the second consists largely of a series of case studies grouped together on an industry basis to make the information more readily available to executives interested in learning what others have been able to accomplish in the same or related industries.

The measures most commonly employed to achieve employment regularity in the companies studied are (1) manufacture for stock, of the completed units, sub-assemblies or standard parts, (2) the training and transfer of workers, and (3) the use of the flexible work week. Other methods utilized by considerable groups of concerns are the introduction of new products or new models, and the stimulation of consumer and dealer demands by means of special advertising campaigns and inducements to place orders in off-seasons.

All these measures have been successfully utilized to regularize employment, but the extent to which they can be used depends largely upon the nature of the prod-

uct, and upon the thought given to the analysis of the individual company's problem and its solution.

Manufacture for stock has been most frequently mentioned in the present study as the principal measure for stabilizing employment, but the consensus is that this method is only successful if certain conditions are present. Manufacture for stock must be based upon accurate sales forecasts to guard against heavy inventory losses. The articles to be accumulated should be compact, easily and economically stored, and should not be subject to obsolescence or physical deterioration. Forecasting of seasonal fluctuations is a relatively simple matter in many industries, but the forecasting of long-term trends is especially difficult at the present time because of world conditions.

The introduction of new products or new models has materially aided employment stabilization in a number of companies. It is imperative, however, that all contingencies be explored to make sure that the proposed product does not accentuate the problem of employment instability. An ideal situation exists if the company can create a product whose seasonal variations supplement those of the regular line, and at the same time can utilize the existing equipment and regular force for its manufacture. The problem is further simplified if the article can be marketed through the company's regular sales channels.

Flexibility of the production personnel is another important factor in a successful employment stabilization program. Transfer of surplus workers to departments needing more help is one of the most common methods of reducing the number of lay-offs, but if skilled occupations are involved, these exchanges can only be accomplished when a contingency of this nature has been provided for by training employees to be versatile. It is difficult, however, to operate a satisfactory transfer system unless the jobs are of the same general character or may be easily taught.

Work spreading has also been a widely accepted device for cutting down the number of lay-offs, but this measure has its limitations. Even in states with merit-rating provisions, employers have hesitated to spread work to a point where the workingman's standard of living has been reduced to a bare subsistence level. If work is spread so thin that no one earns a decent living, employee morale is likely to be demoralized.

A successful employment stabilization program requires close cooperation of the production and the sales divisions, the higher executive group, the personnel department and the entire supervisory force in order to deal effectively with the internal and external factors causing employment irregularities.

<sup>1</sup>A digest of a report under the same title to be published by THE CONFERENCE BOARD during November, 1940. (*Studies in Personnel Policy*, No. 27)

The conclusion drawn from the case studies presented in the present investigation is that the employment stabilization program must be fitted to the requirements of the individual company. The extent to which the various measures may be applied depends upon the nature of the industry and the type of product. The experience of companies that have stabilized employment under decidedly unfavorable circumstances is

proof of the ingenuity of American business. The time and money spent in regularizing employment has been more than repaid by better use of equipment and manpower, an added sense of security on the part of the workers, and a better esprit de corps.

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## British Industrial Training Problems

THERE IS every prospect that the demand for many kinds of skilled workmen in American industry will become intensified as the preparedness program unfolds. In the belief that the experience of the British with a similar problem will be of interest, the following excerpts from a statement, made on August 8 by the British Minister of Labour and National Service, are presented. The statement, as reported in *The Ministry of Labour Gazette* for August, 1940, was made in the House of Commons in reply to a question as to the steps being taken to increase the number of skilled workers and to expand training:

I am glad to have this opportunity of making a statement on the subject of the need for an increase in the number of skilled workers and the expansion of training. There does appear to me to be a lack of appreciation in industry generally of the enormous need for a rapid expansion of training to meet the requirements of the expanding programme of munition production and the maintenance of a satisfactory factory export position . . . Up to the moment, so far as training in the workshops is concerned, we have adopted the methods of persuasion, and this was necessary because we had to meet the urgent demands made upon industry by the exigencies of the war and the re-equipping of our Forces over the past three months and had, therefore, to use the facilities and machine tools that were ready at hand for actual productive work. I have done all that I can . . . to induce employers to undertake the maximum amount of training of men, both at the higher and lower levels of skill, and also the introduction and training of women

I am afraid that some employers are to some extent living in a fool's paradise in the matter of skilled labour. They must realise that the scarcity of various classes of skilled labour, as had already been revealed, will, in the absence of extensive provision of training, be greatly accentuated by other factors. For example, large numbers of skilled men have been released from the Forces for return to the engineering factories . . . But the release is only provisional, and with the growing needs of an expanding mechanical army many of these men may have to go back at a later date. Further, it must not be assumed that the present rules in regard to reservation of certain occupations at certain ages can stand for the duration of the war. Here again there is an increasing demand for men for the Forces, both as tradesmen and for general service, and it is by no means certain that the present balance as between industry and the Forces can

remain undisturbed. The training in the factory, having regard to these factors, must make provision for the training of (a) highly skilled people (b) those who with little training can be turned into effective productive units, and (c) women; and under these three headings it must work in association with a continuous process of up-grading. The lesser skilled men and the women cannot be absorbed unless this up-grading and training process is accelerated. Therefore, with the up-grading the employers create the vacancies, and the necessary action can then be initiated through the Employment Exchange machinery to make the lesser skilled and women available by means of transfer from other industries. There is no excuse for delay. Employers have already been informed that the additional cost of training will be met by the Government. Training is much more effective, both for the works and for those being trained, if it is carried out voluntarily and with good will. I am therefore reluctant to make training obligatory on all employers, but conditions may arise when this would have to be done. Employers should not wait for orders and regulations, but should co-operate immediately in the solution of this problem.

The next form of training I desire to explain is the Government training centres. While these centres can contribute, they cannot take the place of training in the factory itself. These training centres operated by my Department were originally established for a special purpose in connection with unemployment, and only accepted men from the depressed areas. When the re-armament drive began the area of recruitment was extended to the whole country, and in the early months of the war my predecessor decided that the centres should be converted entirely from a social service to an essential part of the Government war machine. The capacity of the centres was extended and the technique of rapid training of new entrants to industry was introduced, so that they became highly semi-skilled workers within four months. People with special aptitudes are passed out in less than that time. I decided to take this a stage further by removing the condition that a trainee must be unemployed, and threw the training open to any person. We are drawing the trainees from almost every trade and calling and irrespective of age. We have also rearranged allowances with a view to removing hardship while men are going through the training period. The number of centres has now been increased to 19 training centres and their capacity greatly expanded. I have set myself as a goal a total of 40 centres, and additional sets of premises have been secured and are being adapted. Whether it will be possible to attain this goal depends on a number of factors which are not within my control. They are: instructors, managerial staff, and what is most important,

machine tools and other equipment. I regard this as so vital that I have asked that the training centres should be placed in the highest category of priority in order to get them equipped. But this claim has to be balanced against the claims of immediate production. We have aimed to put the present centres on a full treble shift. As soon as the instructors and necessary staff are obtained the annual rate of output from the present centres should be in excess of 100,000 trainees a year. If the goal of 40 centres is achieved, we should be able to double this . . . .

The next factor in training is that I have . . . initiated a scheme of short courses of training through the technical colleges, and a number of classes are in opera-

tion. Many more should begin shortly. I am anxious that the technical colleges should produce at a rate of not less than 50,000 per year. I am also setting up training arrangements in garages, maintenance shops and other shops which have unused capacity, and I am trying in these ways to add substantial additions to the ranks of the trained workers for the war production campaign.

In this total war a combination of all these factors is essential if our needs are to be supplied. If the employers concerned are seized with the importance of training equally with my Department, I am satisfied that . . . we can overtake any disparity that may now favour the enemy. It is, therefore, worth while making a supreme effort in this field.

## Questions and Answers

*An important function of the Management Research Division is to focus the information gathered in its many studies on particular problems confronting associated companies. The Division's services are constantly at the disposal of executives in these companies. Inquiries are, of course, answered promptly by mail, but some questions and answers believed to be of general interest are reproduced from time to time in this section of the MANAGEMENT RECORD.*

**Question:** If a worker employed 40 hours per week in one establishment works additional hours during the same week in another establishment, will the time-and-one-half rule of the Fair Labor Standards Act become applicable?

**Answer:** The overtime provisions of the Fair Labor Standards Act do not become applicable in this case so long as the work performed in excess of 40 hours per week is performed for an employer completely dissociated from the employer for whom the first 40 hours of work are performed.

**Question:** We sometimes have occasion to ask employees on an incentive bonus plan to work over 40 hours per week. These employees have a guaranteed minimum hourly rate of \$.75 per hour. Are we violating the Fair Labor Standards Act if we pay for this overtime at one and one-half times the guaranteed minimum hourly rate?

**Answer:** If the employees' earnings under the incentive bonus do not exceed the guaranteed minimum hourly rate, then the Act would not be violated by calculating the overtime earnings at one and one-half times the guaranteed hourly rate. However, if at any time during the week the employees' earnings exceed the guaranteed hourly rate, then the overtime premium must be based on the over-all earned rate for the week, which is found by dividing the total amount earned under the incentive plan by the total hours worked. For example, in the above bonus plan, if an employee works 44 hours and his incentive earnings are \$35.20 then his average earned rate is \$.80 per hour, \$.05 per hour higher than his guaranteed rate. Under the Act his overtime premium would then be calculated as  $4 \times \$ .40 = \$1.60$ , and his total earnings for the week would be \$36.80.

**Question:** Since October 24 we asked a group of men on incentive bonus to work 44 hours in one work week. These men have a guaranteed minimum earning rate of \$.80 per hour. We paid them \$1.20 ( $1\frac{1}{2} \times \$ .80$ ) per

hour for those four hours. Have we violated the overtime requirements of the Fair Labor Standards Act?

**Answer:** If these men's earnings for 44 hours, including incentive bonus, did not exceed \$.80 per hour, then there was no violation of the Act. However, if a given man's average earnings for the 44 hours were, say, \$.90 per hour, then the correct procedure in the above situation would be to pay \$1.80 overtime premium ( $4 \times \$ .45$ ) for the four overtime hours. Total earnings for the week would then be \$41.40 ( $\$39.60 + \$1.80$ ). In case the \$.05 per hour incentive bonus is ordinarily deferred and paid at the end of the month, it would be necessary, nevertheless, to consider it in calculating the overtime premium.

**Question:** Of what advantage to the employer is the use of the "time-off plan" and "pre-payment plan" under the Fair Labor Standards Act?

**Answer:** The primary object of both "time-off" and "pre-payment" under the Fair Labor Standards Act is to prevent wide fluctuations in employees' earnings. There is no avoidance of the overtime premium under either plan. Under "time-off," an employee must be given one and one-half hours off for each hour of overtime, and it must be given during the same pay period that the overtime occurred. Under "pre-payment," the employee is paid a little more each pay day than he has actually earned, and builds up an overtime reserve in anticipation of overtime that may be worked in the future. Then comes a rush job, and the overtime hours worked are charged off at time and one-half the regular rate. If the rush job calls for more overtime pay than there was accumulated in the reserve, the employer would be required to pay full compensation for the unanticipated overtime at the next regular pay day.

**Question:** We understand that a department foreman who has an exempt status as an "executive" under the Fair Labor Standards Act cannot retain this status

(Continued on page 143)

## A Glance at Labor Statistics

**AVERAGE** hourly earnings of all wage earners in 25 manufacturing industries increased from 74.1¢ in August to 74.2¢ in September. In September, 1939 the corresponding figure was 72.2¢.

**Average weekly earnings** of all wage earners increased from \$28.58 in August to \$28.99 in September, an advance of 1.4%. The figure for September, 1939 was \$27.58.

**Employment** rose sharply from an index number of 95.7 in August to 99.8 in September, or 4.3%. This constitutes an increase of 12.6% in employment since September, 1939.

**Average hours** of work per week advanced from 38.5 in August to 39.0 in September, as compared with 38.2 in September, 1939.

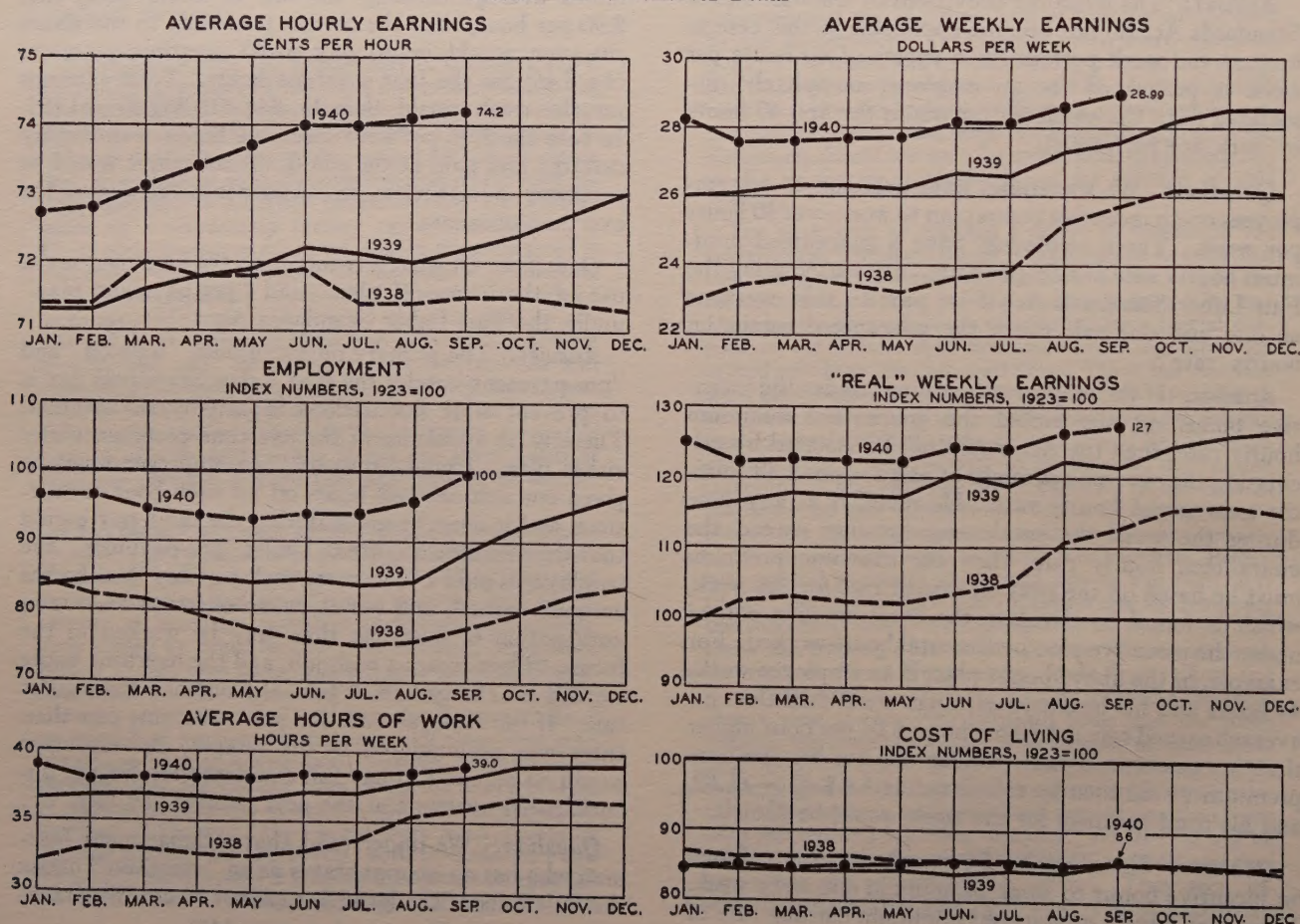
**The cost of living** advanced from 85.1 in August to 85.6 in September. This is only slightly above the index of 85.4 in September, 1939. The purchasing power of the dollar on the basis of the cost of living stood at \$1.168 in September, as compared with that of \$1.00 in 1923.

**Real weekly wages**, or the purchasing power of money wages, increased from 126.2 in August to 127.2 in September.

**The number of unemployed persons** in the United States, according to THE CONFERENCE BOARD's estimates, declined 11.3% from August to September. The number of unemployed persons in September is estimated to have been 6,829,000, which is the smallest figure since 1937.

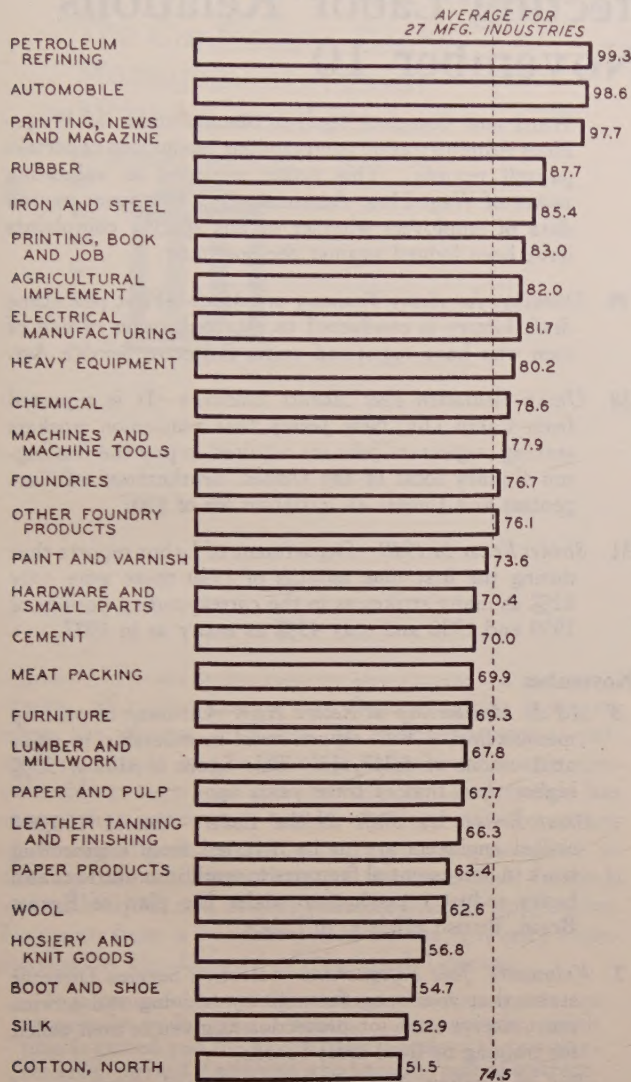
### LABOR TRENDS IN 25 MANUFACTURING INDUSTRIES AND THE COST OF LIVING, 1938-1940

Source: THE CONFERENCE BOARD



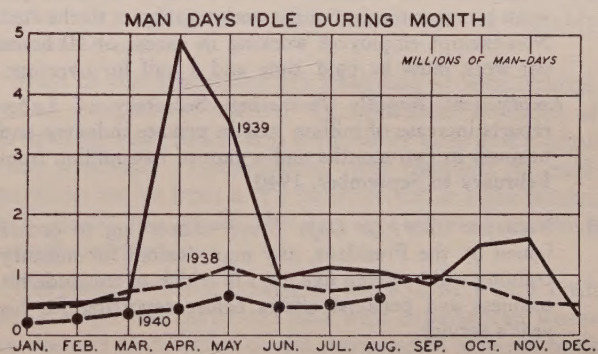
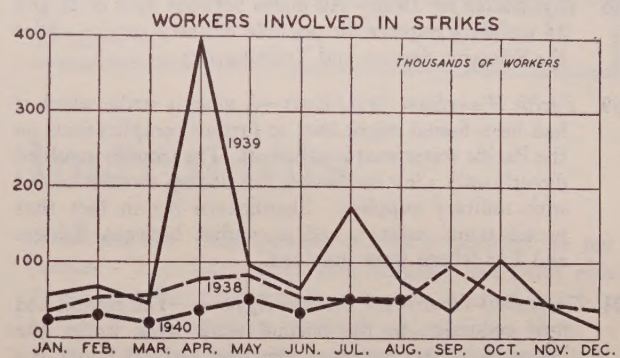
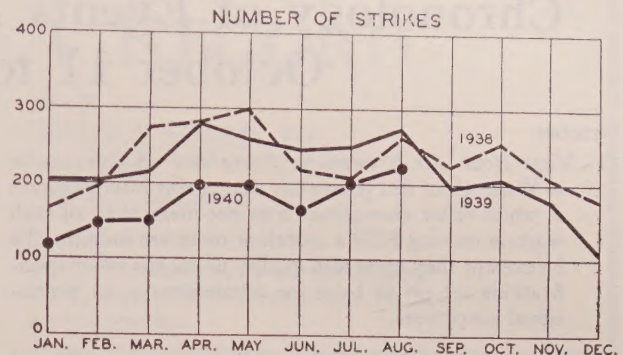
### AVERAGE HOURLY EARNINGS IN CENTS 27 MANUFACTURING INDUSTRIES, SEPTEMBER, 1940

Source: THE CONFERENCE BOARD



### INDUSTRIAL DISPUTES, 1938, 1939 AND 1940

Source: U. S. Bureau of Labor Statistics



### Questions and Answers (Continued from page 141)

if he spends more than 20% of his time on manual work. In case of an emergency requiring that a foreman contribute manual work which exceeds the 20% limit, does he lose his exempt status? For how long a period?

**Answer:** The statement, "if he spends more than 20% of his time on manual work," needs clarification by pointing out that the language used by the Wage-Hour Administrator is to the effect that a person exempt from the Act as an "executive" shall not perform work of the same nature as that performed by non-exempt employees a longer time than 20% of the hours in the work week of the non-exempt employees under his direction. For example, if the regular work week of

shop-workers is 40 hours and the work week of an exempt foreman is 45 hours, then the latter would be allowed to do 8 hours of work similar to that of the workers under his direction, not 9 hours which would be 20% of his work week.

In case of an emergency, such as a bottleneck in production, in which an exempt foreman contributes manual labor in excess of 20% of the shop work week, he would lose his exempt status only during that particular work week. In the case of a foreman on a 45-hour week, it would be necessary to pay him time and one-half for 5 hours during any week in which an emergency made it necessary for him to exceed his 20% exemption.

## Chronology of Events Affecting Labor Relations October 11 to November 10

### October

- 14 *Wage-Hour Act Exemptions Interpreted*—Administrator of Wage-Hour Act points out that recent interpretation of white collar exemptions does not mean that all such workers earning \$200 a month or more are exempt. To be exempt they must also qualify under the other specifications set up as basis for administrative or professional employees.
- 16 *Registration for Draft*—All males between ages of 21 and 35 inclusive register for possible military service under the Selective Service and Training Act.
- 19 *Pacific Waterfront Strike Ends*—A violent strike which it had been feared might lead to further complications on the Pacific waterfront is called off. The trouble involved directly only a few employees but tied up a vessel loaded with military supplies. Significance lay in fact that jurisdictional matters and a conflict between Bridges and Lundeberg were involved.
- 24 *General 40-Hour Week Becomes Effective*—The second and final reduction in the normal work week under the Wage-Hour Act becomes effective and 40 hours per week becomes maximum for workers subject to the Act. Non-exempt employees working in excess of 40 hours per week must be paid time and a half for overtime.  
*Employment Rapidly Increasing*—Secretary of Labor reports increase of million jobs in private industry and business in two months and a gain of two million from February to September, 1940.
- 25 *Draftees to Have Five Days' Grace*—According to orders issued by the President, any man drafted for military training will be given five days in which to conclude his business and personal affairs before reporting for his year's service.  
*Lewis Changes Political Affiliation*—Address by John L. Lewis, head of C.I.O., urging labor to follow his lead in voting for Republican presidential candidate raises many questions with regard to future trends within organized labor.
- 26 *Oregon Ban on Picketing Voided*—Two years ago Oregon voters in general election passed a referendum measure strictly limiting picketing by a vote of 197,771 to 148,460. This law is voided by Oregon State Supreme Court on the ground of unconstitutionality.
- 28 *Court Rules Company Must Furnish Data*—United States Supreme Court refuses to review protest of Montgomery

Ward and Company against blanket order of Wage-Hour Administration commanding production of certain payroll records. This action regarded as validating power of Wage-Hour Administration to inspect payroll data of employers whether or not specific complaints have been lodged against the company.

- 29 *Drawings for Army Training are Made*—First peacetime draft lottery is conducted to establish order of call of men who have registered under Selective Service Act.
- 30 *Union Initiation Fees Attract Attention*—It is reported from Camp Dix, New Jersey that non-union workers seeking carpenters' jobs are required to pay the Burlington County local of the United Brotherhood of Carpenters and Joiners an initiation fee of \$80.
- 31 *Strikes Fewer in 1940*—Department of Labor reports that during the first nine months of 1940 there were only 82% as many strikes as in the corresponding periods of 1939 and 1938 and only 43% as many as in 1937.

### November

- 3 *A.F.L. Membership at Record High*—On basis of paid-up membership, A.F.L. reports total membership in affiliated unions of 4,247,443. This figure is almost 50% higher than that of three years ago.  
*Great Britain to Shift Skilled Labor*—Almost 100,000 skilled engineers are to be diverted from engineering work in non-essential factories to work in munitions and heavy industry production under the plan of Ernest Bevin, British Minister of Labor.
- 7 *Volunteers' Jobs Safeguarded*—Selective Service Director states that volunteers for military training and service must receive same job protection as given to men called for training by local draft boards.  
*Pay of Civilian Navy Employees Raised*—Secretary of Navy announces that on November 18 the pay of about 44,000 civilian employees of Navy Department will be increased in line with findings of wage board appointed June 11 to study matter. Laborers, helpers and men in the mechanical departments will be chiefly affected. Aggregate annual cost of increases will be \$3,800,000.
- 9 *American Pay Three Times German*—Matthew Woll, A.F.L. Vice-President, states that in 1939, before outbreak of war, German workers were earning an average of 14¢ per hour, or \$8.00 for a 56-hour week, while the average American wage was 65¢ per hour, or \$24.44 for an average week of 37.6 hours.